Virginia Retirement System
2011 Fiscal Impact Statement

1. **Bill Number:** HB2096

House of Origin	X	Introduced	☐	Substitute	☐	Engrossed
Second House	☐	In Committee	☐	Substitute	☐	Enrolled

2. **Patron:** Jones

3. **Committee:** Appropriations

4. **Title:** Virginia Retirement System; constitutional officers.

5. **Summary:** Virginia Retirement System; constitutional officers; Permits any constitutional officer who has 20 or more years of creditable service, and whose office is abolished, to retire with unreduced benefits (i) at the age of 60 if the officer is first elected to office after July 1, 2010, and (ii) at the age of 50 for all others.

6. **Budget Amendment Necessary**: No

7. **Fiscal Impact Estimates:** See Fiscal Implications below.

8. **Fiscal Implications:**

By *Code*, the Commonwealth funds the health insurance credit (HIC) for constitutional officers while individual localities fund the constitutional officers' retirement benefits. Accordingly, any added costs to the HIC program will be borne by the state, while any added pension costs will be borne by local governments.

With respect to the Health Insurance Credit Program (HIC), the constitutional officers are valued as a separate group, and by *Code*, the cost for HIC benefits for constitutional officers is the responsibility of the State. Therefore, the proposal would have an impact on the State's contribution with respect to constitutional officers' HIC contribution rate. The total contribution based on the June 30, 2010 HIC actuarial valuation for constitutional officers is approximately $1.9 million. This valuation includes approximately 14,000 active constitutional officers and staff and retirees. Of the total membership of 14,000, about 460 are constitutional officers. The annual HIC contribution related to constitutional officers is approximately $50,000 to $70,000. Therefore, any HIC cost increase as a result of the proposal should be minimal.

Similarly, the impact on local pension costs should be minimal. Based on the June 30, 2010 actuarial valuation, localities employ 460 active constitutional officers compared to approximately 105,000 active VRS members among all political subdivisions. Constitutional officers represent less than 0.45% of the political subdivisions' active membership. As constitutional officers are generally spread among the various political subdivisions, VRS expects the cost impact to individual localities should be generally small.

The actuary also noted that the impact should be further diminished when one considers that the number of constitutional officers with 20 or more years of service and whose office has been abolished is likely to be small.

9. **Specific Agency or Political Subdivisions Affected:** VRS and participating localities

10. **Technical Amendment Necessary:** No

11. **Other Comments:** While the fiscal impact to state and local governments will be minimal, the individual benefit received by eligible constitutional officers will be substantial.

    The hypothetical example below illustrates how a member's lifetime monthly benefit would substantially increase with this provision.

    Age 50 with 20 years of service and an AFC of $75,000

Without provision:	$ 636.96/month
With provision of 50/20:	$2,125.00/month

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